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SIPDIS

SENSITIVE

TREASURY FOR ALEX SEVERENS/LUKAS KOHLER  
OPIC FOR CONAL DUFFY  
STATE PASS USAID FOR AF DAA FRANK YOUNG

E.O. 12958: N/A

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SUBJECT: WEST AFRICA GAS PIPELINE NEARING THE FINISH LINE;  
DECEMBER 16 FINAL INVESTMENT DECISION IS DEPENDENT ON GHANA  
PARLIAMENT ACTION

REF: ACCRA 1447

#### Summary

1. (SBU) On December 3, the Government of Ghana (GoG) hosted symbolic signing and groundbreaking ceremonies of the West Africa Gas Pipeline (WAGP). The States had not accomplished all conditions necessary for the West Africa Pipeline Company (WAPCo) to take Final Investment Decision (FID) prior to the ceremonies. Nigeria and Benin's Parliaments approved WAGP legislation December 7 and WAPCo signed most commercial and World Bank documents December 9-14. However, WAPCo cannot take FID until Ghana's Parliament approves the International Project Agreement, Consent and Support Agreement (sovereign guarantee), and World Bank Indemnity Agreement. WAPCo's Board meets December 16 in Abuja to decide on FID. Costs increase after December 21 and all construction contracts expire December 31. Failure to achieve FID December 16 or soon thereafter could jeopardize the project. At WAPCo's request, Post has raised issue with the GoG and Parliament. End Summary

#### WAGP Signing and Groundbreaking Ceremonies

2. (U) The GoG hosted the December 3 signing and groundbreaking ceremonies at the CMS Energy and Volta River Authority thermal energy plant complex near Takoradi. GoG Energy Minister Paa Kwesi Nduom chaired the signing ceremony, accompanied by Nigeria's Presidential Advisor on Petroleum, Alhaji Jafaru, and the Benin and Togo Energy Ministers. Ghana's President Kufuor presided over the subsequent groundbreaking ceremony.

3. (U) The West Africa Gas Pipeline Authority (WAGPA) organized the event and intended to invite all four Presidents. However, the December 3 date was confirmed late due to disagreements over whether it would conflict with Ghana's December 7 elections. The written invitations were sent too late for Presidents Obasanjo, Eyadema, and Kerekou to attend.

4. (U) Ambassador Yates and USAID Africa Bureau Deputy Assistant Administrator Frank Young represented the USG and spoke at both ceremonies. (Note: Young highlighted USAID's five years of technical assistance on the project, and President Kufuor and Energy Minister Nduom also emphasized the critical role USAID assistance played in preparing the States and helping them to fulfill their project responsibilities on schedule. End Note) World Bank Country Director for Ghana, Mats Karlsson, and ECOWAS' Deputy Executive Secretary also participated.

#### Final Investment Decision Still Uncertain

5. (SBU) The ceremonies were purely symbolic, as WAPCo did not recommend taking FID during its December 2 Board meeting. WAPCo Managing Director Dennis Fahy told EconChief December 8 that Nigeria, Benin, and Ghana had not passed the legislation and agreements necessary for FID. Nduom and the other Energy Ministers signed only the WAGP Act regulations, a minor document out of almost 140 total documents awaiting signature. (Note: While the December 3 ceremonies were not as consequential as they would have been post-FID, they demonstrated how far the four States have come and how much they accomplished in five years, and highlighted how much the four governments believe this project will benefit their countries and the region. End Note)

#### New WAPCo Timetable for FID

6. (SBU) The WAPCo Board meets December 16 in Abuja, followed by a Sponsors meeting (Note: the same officials represent the various parties at both meetings. End Note). Fahy wants to complete all conditions prior to the Board meeting, so that the Board can recommend FID and the Sponsors approve FID. They need to take FID by December 16 so that all investors will deposit funds into the escrow account by December 20. Fahy's priority is to sign the USD 100 million

line pipe contract by December 21, because the price increases USD 9 million on December 22. All contract bids related to the project construction are valid through the end of the year. Fahy estimates costs would increase substantially were WAPCo to rebid the contracts in 2005.

17. (SBU) WAPCo, N-Gas (Chevron Texaco, Shell, NNPC), VRA, and the Benin Electricity Company (CEB) met in London December 10 to sign the commercial agreements. The World Bank's lead financial officer on the WAGP project, Scott Sinclair, informed EconChief December 10 that MIGA and IDA would also sign all necessary documentation before the December 16 deadline. MIGA plans to supply a comfort letter that will allow WAPCo to go forward with FID, with official signings following later in December. IDA will likely fax signed documents to WAPCo.

18. (SBU) The Nigerian and Benin Parliaments approved WAGP enabling legislation on December 7, completing the last of their necessary legislative actions. Togo had already completed all necessary legislation. Ghana's Parliament passed all WAGP-related legislation in July and October. However, Ghanaian law requires Parliamentary approval of commercial agreements the GoG enters into (Note: this is not a requirement in Nigeria, Benin or Togo. End Note). Accordingly, WAPCo and the GoG (with Post support) are pushing Parliament to approve three agreements prior to December 16:

-- The International Project Agreement (IPA). The IPA was originally attached to the WAGP Treaty, which Parliament approved in July. However, Parliamentary leaders separated them and have not yet put the IPA forward for a vote.

-- The Ghana Consent and Support Agreement, the GoG's guarantee of VRA payments. WAPCo and GoG lawyers completed the agreement December 13 and submitted it to Parliament December 14.

-- The World Bank-Ghana "Indemnity Agreement." World Bank and GoG lawyers also completed this agreement December 13 and submitted it to Parliament December 14.

19. (SBU) Parliament reconvened December 14, so has only two days to approve the agreements. Parliament's Chief Clerk told Emboffs that the soonest the appropriate committees will deliver the agreements to Parliament for a vote is Thursday, December 16. WAPCo officials are aware that the earliest passage date is the same day as the WAPCo Board meeting in Abuja, and will monitor developments during the course of their meeting.

110. (SBU) WAPCo's Dennis Fahy anticipated this time crunch and requested Embassy support with the GoG and Parliament. In response, EconOffs met with Finance and Energy officials and also with Parliament's leadership. Minister of Parliament Owusu Agyepong, Parliament's majority leader, agreed that Parliament should approve the agreements by December 16, but did not appear overly optimistic. Nevertheless, Energy Minister Nduom and Finance Minister Osafo Maafo are pushing for expedited passage of the agreements, so passage this week is likely.

111. (SBU) The final step is for Ghana's Attorney General to provide both WAPCo and the World Bank with a "legal opinion" on the project, assuring all parties that the WAGP agreements are not in breach of any Ghanaian constitutional provisions.

Comment

112. (SBU) In requesting USG assistance, Fahy commented that even one day's delay could upset the entire schedule, and there was little flexibility. Therefore, Ghanaian Parliament's approval of the three agreements must happen this week. Post believes the Finance Ministry and Parliamentary leaders will somehow make this happen, but FID will clearly come down to the wire.

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